



A classification of service activities

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Outline

- 1 Context
- 2 Eurostat and NAICS
- 3 Classification of services
- 4 Conclusions
- 5 References

What is a service?

- Traditionally difficult to define.
- Which services are created and delivered to customer are difficult to define because many inputs and outputs are intangible.

What is a service?

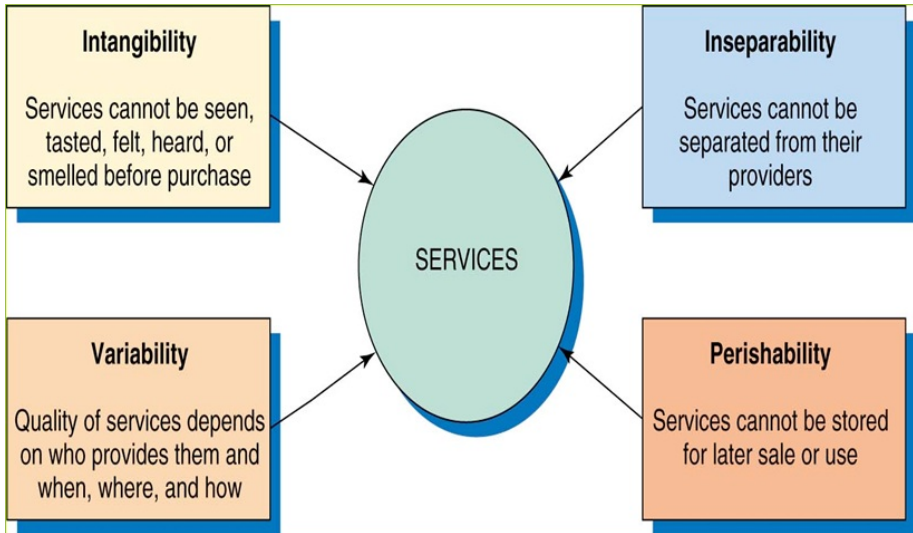
- Traditionally difficult to define.
- Which services are created and delivered to customer are difficult to define because many inputs and outputs are intangible.

Service = "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It's production may or may not be tied up to a physical product" - *Philip Kotler*

Services vs. Goods

Services	Goods
Intangible	Tangible
Heterogeneous	Homogeneous
Produced in Buyer-Seller interaction	Produced in factory
Production, distribution and consumption takes place simultaneously	All three are separate and independent
Consumers participate in production	Consumers don't generally participate
Cannot be stored	Can be stored
Transfer of ownership cannot take place	Transfer of ownership does take place

Characteristics of services



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What is Eurostat?

Eurostat, the Statistical Office of the European Union:

- is the largest source of statistical information about European member states, located in Luxembourg;
- offers comparable, reliable and objective figures on a changing Europe;
- presents information on regional and country level for the enlarged Union, the Candidate Countries and the EFTA (European Free Trade Association) countries;
- aims at introducing common statistical 'language' like concepts, terminology as well as data collection and production methods.



What is NAICS?

NAICS, the North American Industry Classification System:

- used by business and government to classify business establishments according to type of economic activity (process of production);
- is the product of a collaborative effort between the United States, Canada and Mexico;
- replaces and updates the older SIC Code (Standard Industry Classification) system;
- classifies each establishment into a detailed industry based in the production processes it uses.



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Classification of services

- It is required to:
 - design
 - apply marketing techniques to completely satisfy the customer
 - increase profits
 - identify new emerging services

- Classifications can be done on following basis:
 - classification by Industry
 - classification by Target Effect
 - skill level of service provider (Professional/Nonprofessional)
 - labor intensiveness (People-based/Equipment-based)
 - degree of customer contact (High/Low)
 - goal of the service provider (Profit/Nonprofit)

Structure and coding

Statistical Classification of Economic Activities in the European Community (NACE) consists of a hierarchical structure:

- a first level consisting of headings identified by an alphabetical code (**sections**);
- a second level consisting of headings identified by a two-digit numerical code (**divisions**);
- a third level consisting of headings identified by a three-digit numerical code (**groups**);
- a fourth level consisting of headings identified by a four-digit numerical code (**classes**).

Example (1)

A unit carries out the following activities (shares in terms of value added)

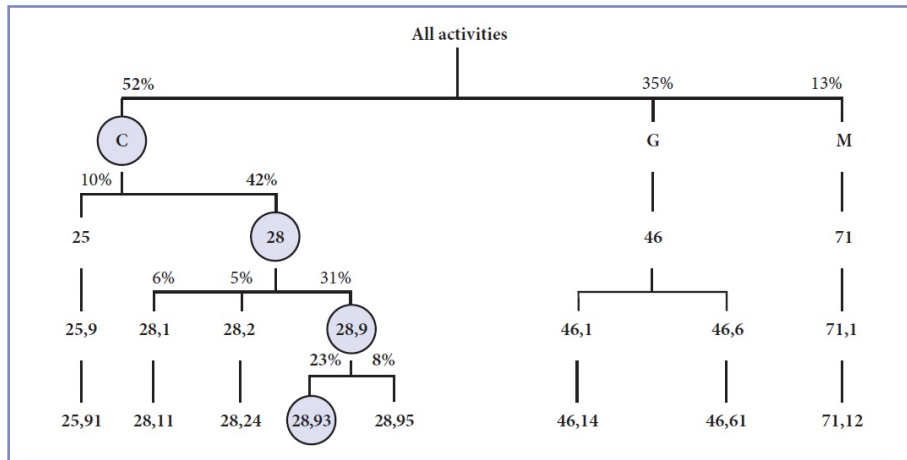
Section	Division	Group	Class	Description of the class	Share
C	25	25.9	25.91	Manufacture of steel drums and similar containers	10%
	28	28.1	28.11	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines	6%
		28.2	28.24	Manufacture of power-driven hand tools	5%
	28.9	28.93	28.93	Manufacture of machinery for food, beverages and tobacco processing	23%
		28.95	28.95	Manufacture of machinery for paper and paperboard production	8%
G	46	46.1	46.14	Agents involved in the sale of machinery, industrial equipment, ships and aircraft	7%
		46.6	46.61	Wholesale of agricultural machinery, equipment and supplies	28%
M	71	71.1	71.12	Engineering activities and related technical consultancy	13%

Example (2)

- Identify the main Section
 - Section C - Manufacturing 52%
- Identify the main Division within main Section C:
 - Division 28 - Manufacture of machinery and equipment n.e.c. 42%
- Identify the main Group within the main Division 28:
 - Group 28.9 - Manufacture of other special-purpose machinery 31%
- Identify the main Class within the main Group 28.9:
 - Class 28.93 - Manufacture of machinery for food, beverages and tobacco processing 23%

Example (3)

The picture represents the decision path followed in the example:



Broad Structure of NACE Rev. 2

Section	Title	Divisions
A	Agriculture, forestry and fishing	01 – 03
B	Mining and quarrying	05 – 09
C	Manufacturing	10 – 33
D	Electricity, gas, steam and air conditioning supply	35
E	Water supply; sewerage, waste management and remediation activities	36 – 39
F	Construction	41 – 43
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	45 – 47
H	Transportation and storage	49 – 53
I	Accommodation and food service activities	55 – 56
J	Information and communication	58 – 63
K	Financial and insurance activities	64 – 66
L	Real estate activities	68
M	Professional, scientific and technical activities	69 – 75
N	Administrative and support service activities	77 – 82
O	Public administration and defence; compulsory social security	84
P	Education	85
Q	Human health and social work activities	86 – 88
R	Arts, entertainment and recreation	90 – 93
S	Other service activities	94 – 96
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	97 – 98
U	Activities of extraterritorial organisations and bodies	99

Structure and coding (1)

- NAICS is a two- through six-digit hierarchical classification system, offering five levels of detail.
- Each digit in the code is part of a series of progressively narrower categories, and the more digits in the code signify greater classification detail.
- The five-digit NAICS code is the level at which there is comparability in code and definitions for most of the NAICS sectors across the three countries participating in NAICS.
- The six-digit level allows for the United States, Canada, and Mexico each to have country-specific detail.



Structure and coding (2)

- the *first two* digits designate the *economic sector*
- the *third digit* designates the *subsector*
- the *fourth digit* designates the *industry group*
- the *fifth digit* designates the *NAICS industry*
- the *sixth digit* designates the *national industry*

NAICS	
Level	Code
	XX
Subsector	XXX
Industry Group	XXXX
NAICS Industry	XXXXX
U.S. Industry	XXXXXX

NAICS Sectors

Sector	Description
11	Agriculture, Forestry, Fishing and Hunting
21	Mining, Quarrying, and Oil and Gas Extraction
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Educational Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

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Conclusions

- An economic activity takes place when resources such as capital goods, labour, manufacturing techniques or intermediary products are combined to produce specific goods or services.
- NACE does not draw distinctions according to the kind of ownership of a production unit or its type of legal organisation or mode of operation, because such criteria do not relate to the characteristics of the activity itself.
- NAICS is developed on the basis of a production-oriented conceptual framework and classifies units, not activities like Eurostat.
- Statistical data collected according to NAICS can be aggregated into the two-digit divisions of NACE Rev. 2, ensuring comparability of data.

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References



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